

Tobacco alternatives yield mixed results

Most co-ops struggling despite the state's help

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 The Courier-Journal

MAYFIELD, Ky. — Joey Green believes fish will play a big role in the future of his family's tobacco farm, but netting a profit has proved elusive so far.

The Graves County grower and other tobacco farmers in far Western Kentucky dug ponds and established the Purchase Area Aquaculture Cooperative five years ago to fatten, harvest and market catfish.

At the same time, about 125 miles to the northeast, veteran tobacco, grain and beef farmer Mark Robertson branched out into vegetables and bought into an Owensboro company with other growers that markets home-grown produce to wholesalers.

Both said they were preparing for the day -- which arrived this year -- when federal tobacco subsidies would end.

But Green, Robertson and other farmers have learned that even the noblest of endeavors can go awry because of forces beyond their control -- fluctuations in supply and demand, foreign competition, changing consumer tastes and Mother Nature.

Although some of the farmers have made money individually, neither co-op has shown a profit despite state and federal financial backing totaling nearly \$6 million.

"There have been days when I ask myself, 'Why did I do it -- and how can I get out of it?' " said Green, 46.

He said he spent about \$34,000 to dig and equip his pond. He has bought 26,000 young fish -- known as fingerlings -- for \$3,640, and this year he will use 15



Joey Green, of Graves County, Ky., said catfish farming has been a challenge. He said he spent about \$34,000 to dig and equip his pond. He has bought 26,000 young fish — known as fingerlings — for \$3,640, and this year he will use 15 tons of feed costing \$4,800. (BY JIM ROSHAN, SPECIAL TO THE COURIER-JOURNAL)

QUICK FACTS

Agriculture cooperatives

First started: 1968

How many now: 13

Invested to date: \$29.7 million

Sources: Kentucky Agriculture Development Board, Kentucky Center for Cooperative Development



Randy Seymour and son John began collecting seeds from native grass stands about a decade ago on their Upton farm in Hardin County, Ky. (BY ARZA BARNETT, THE COURIER-JOURNAL)



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Robertson said he still will raise about 25 acres of tobacco this year, but has made money on some vegetable crops nearly every year.

He estimated he has invested \$25,000 to \$50,000 to buy equipment, build an irrigation pond and upgrade housing for migrant workers who harvest the crops. He has recovered that investment and overall has made a profit, enough to keep going and expand this year, he said.

Success stories

Despite the risks and failures, some farmers have replaced their tobacco crops.

The 36 members of the Roundstone Native Seed LLC co-op in Upton have made money by growing and marketing grass seed native to Kentucky, state officials said.

"Our co-op has been profitable from Day One," said Randy Seymour, 62, who, with son John, began a decade ago by collecting the seeds from native stands discovered on their Upton farm.

Founded in 1999 and formerly known as The Kentucky Native Seed Cooperative, the group reorganized as Roundstone in 2002. It had about \$1.25 million in sales last year, Seymour said, and is the largest native seed producer in the Southeast.

The Kentucky Agriculture Development Board has provided money for the co-op to buy equipment to harvest, clean, dry and store seeds.

Seymour said his son used to raise about 36,000 pounds of tobacco, had 125 cattle and cut 3,000 rolls of hay a year.

"But he couldn't make a living because he was too big to do it himself and not big enough to hire the labor," he said.

The family stopped growing tobacco three years ago and went into seeds, which have less overhead -- basically, a single herbicide application or field burning to clear weeds.

Problems dog catfish co-op

The catfish growers suspended work at their fish-processing plant in October because of financial problems -- executives said they did not have enough fish to operate profitably -- but



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resumed limited processing this week to debug equipment and service some corporate accounts.

The Agriculture Development Board said it will take up the co-op's request for \$500,000 in additional funding at its March 18 meeting.

A consultant has recommended drastic changes in the way the catfish co-op does business, including doubling pond acreage, obtaining \$4 million to \$5 million in additional financing and overhauling the board of directors, said Dan Bonk, co-op marketing manager.

But the recommendation to dig more ponds comes at a time when the state, demanding more stringent budget and financial controls, has balked at pumping in more money. So the catfish farmers are in a holding pattern.

The catfish co-op has received about \$3.3 million from the state.

Need to grow

Green hasn't made a profit from his four-acre catfish pond, but he makes money on shrimp.

As a fallback, he also kept his 40-acre crop of dark-fired and air-cured tobacco. As long as tobacco remains profitable, Green said he plans to keep growing it.

He said some farmers have deferred being paid for two years to keep the co-op afloat, and others, including him, haven't been paid since June. But he believes the co-op will survive if it can attract more members.

"Once word gets around in the coffee shop and the courthouse that farmers are getting their money, I think you will see new growers sign on," Green said.

Another catfish farmer, Joe Currin of Mayfield, no longer raises tobacco and also holds out hope.

"I think we can make it," he said. "It hasn't gone the way we thought it would, but we have learned a lot. We're smarter now."

Vegetable co-op

Kentucky officials said last week that the Owensboro co-op had met conditions for an additional \$428,500 in subsidies and loans.

The co-op was required to raise \$100,000 in outside financing, nearly double its crop base from 230 acres to about 450 acres, and move to collect about \$100,000 in debts, some owed by its members.

The state agreed to spend \$28,500 to pay half the salary of a general manager.

"The income potential of vegetables is double that of tobacco," said Joe Cecil, chief executive officer of the Owensboro co-op and a grower.

"But the exposure to loss is three times as great" because of more risk from weather, competition and markets that don't have guaranteed prices like tobacco.

The co-op was poised to turn its first profit last year when a series of violent storms in June heavily damaged bell-pepper and sweet-corn crops, cutting some yields by half.

Cecil said some individual growers lost up to \$100,000 last year because of the weather.

"In agriculture, you can go to bed at night with a beautiful crop in the field and wake up in the morning after a storm with just 50 percent of what you had," said Larry Snell, executive director of the Kentucky Center for Cooperative Development, an agency funded by the U.S. Department of Agriculture that assists grower co-ops.

Even though Robertson recorded a loss last year, he said he plans to grow 55 acres of produce this year, far above the six acres of peppers he grew his first year.

"Nobody anticipated we would not be profitable," said Robertson, whose farm is in McLean County.

Lessons learned

When the state began funding some co-ops around four years ago, two problems emerged -- the co-ops did not have enough operating capital or the right managers, officials and farmers said.

Keith Rogers, who took over last year as director of the Governor's Office of Agricultural Policy, said farmers don't always make the best managers.

"When they are managing that co-op, they have to go into that co-op board meeting and have to think as board members of the co-op and take their farmer hats off -- and not be a farmer and not be a friend," Rogers said. "This has been tough."

Billy Ray Smith, who was state agriculture commissioner when co-op funding began, said no one knew how long the state would have to help the co-ops financially.

"My theory is that we can't subsidize them forever," said Smith, of Bowling Green.

"But how long will it take for them to be able to get their own credit -- two years, eight years, 12 years? I don't have a magic figure."

Business model questioned

John-Mark Hack, director of the Agricultural Development Board when the co-ops were organized and funded, said the co-op business model may have been the wrong choice.

Perhaps the state should have helped align farmers with established vegetable businesses, he said.

And Hack said state officials likely underestimated the difficulty of converting from tobacco's

guaranteed markets to the less stable free markets of vegetables and aquaculture.

"We knew these were high-risk ventures," Hack said. "And we knew some of the projects we invested in were going to fail.

"But we felt if we were not willing to take risks, then we were not giving the farming community the best opportunity to be successful."

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